

1 PRESTON DuFAUCHARD
 2 California Corporations Commissioner
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 6 Corporations Counsel
 7 DEPARTMENT OF CORPORATIONS
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BEFORE THE DEPARTMENT OF CORPORATIONS
 OF THE STATE OF CALIFORNIA

In the Matter of THE CALIFORNIA)	File No. 963-2525
CORPORATIONS COMMISSIONER,)	
)	ORDER TO DISCONTINUE ESCROW
Complainant,)	ACTIVITIES PURSUANT TO FINANCIAL
)	CODE SECTION 17415
vs.)	
)	
PIRON ESCROW, INC., formerly known as CF)	
ESCROW, INC.,)	
)	
Respondent.)	

TO: PIRON ESCROW, INC.
 778 Jamacha Road
 El Cajon, California 92019

 CITY NATIONAL BANK
 555 South Flower, 21st Floor
 Los Angeles, California 90071

THE CALIFORNIA CORPORATIONS COMMISSIONER FINDS THAT:

1. On or about May 31, 2011, the Commissioner received information from Tammy Piron (“Piron”), the new owner of Piron Escrow, Inc. formerly known as CF Escrow, Inc. (“Piron Escrow”) that the former owner, Christian Freeman (“Freeman”) had sent her an e-mail confessing that he had embezzled \$435,000.00 from the escrow trust account over the last two years. Based

1 upon such information, the Commissioner, by and through his staff, commenced a special
2 examination of the books and records of Piron Escrow on or about June 1, 2011.

3 2. The special examination, which was completed on or about July 19, 2011, disclosed
4 that commencing in or about December 11, 2009 and continuing through at least April 22, 2011,
5 Freeman had diverted escrow trust deposits into the company's general and payroll bank accounts
6 and/or his personal bank account(s) and/or made unauthorized disbursements of escrow trust funds
7 to the company payroll account or himself totaling \$437,935.52 in violation of Financial Code
8 sections 17409 and 17414, subdivision (a)(1) and California Code of Regulations, title 10, sections
9 1738 and 1738.2.

10 3. The unauthorized diversions and disbursements of trust funds described in paragraph
11 2., above, have caused a shortage of at least \$435,000.00 to exist in the trust account of Piron
12 Escrow in violation of California Code of Regulations, title 10, section 1738.1 after taking into
13 account a deposit by Freeman of \$2,945.55 and an adjustment of \$.03.

14 4. Previously, on or about May 31, 2011, Piron opened a new trust account ("trust
15 account # 2") and moved all of the trust funds on deposit in the existing trust account ("trust account
16 # 1") to trust account # 2 as it appeared that Freeman continued to have Internet access to trust
17 account # 1. The outstanding trust account shortage of \$435,000.00 necessarily followed the funds
18 into trust account # 2.

19 5. Based upon the findings of the special examination, on or about July 25, 2011, the
20 Commissioner made written demand to Piron Escrow to open a new trust account ("trust account #
21 3") in which all further escrow funds received by Piron Escrow would be deposited, so that new
22 escrow trust funds could remain separate from the trust funds affected by the shortage. Piron
23 Escrow was specifically instructed that no trust funds received by Piron Escrow on or after July 25,
24 2011 could be deposited into trust account # 2, which would necessarily include the transfer of funds
25 from trust account # 3 to trust account # 2.

26 6. On or about July 25, 2011, the Commissioner also made written demand upon Piron
27 Escrow to cure the \$435,000.00 trust account shortage no later than August 1, 2011. Piron Escrow
28 has failed to cure the shortage and continues in its failure to cure the trust account shortage.

1 7. On or about August 23, 2011, the Commissioner learned that Piron Escrow had begun
2 transferring trust funds from trust account # 3 to trust account # 2 in direct contravention of the
3 Commissioner's July 25, 2011 letter. A demand was made to Piron Escrow to immediately explain
4 and detail what was occurring between the two trust accounts since August 23, 2011. On August 26,
5 2011, Piron Escrow responded by stating that funds are being transferred from trust account # 3 to
6 clear checks being presented to trust account # 2.

7 8. The actions of Piron Escrow in transferring funds from trust account # 3 to cover
8 checks being presented to trust account # 2 has caused a shortage to exist in trust account # 3. The
9 exact amount of the shortage is unknown at this time as Piron Escrow has ignored the demands of
10 the Commissioner to submit an accounting of the funds transferred between the two accounts since
11 such transfers began on or about August 23, 2011.

12 9. On or about August 29, 2011, the Commissioner made written demand upon Piron
13 Escrow to cure, no later than August 31, 2011, the shortage in trust account # 3 that it caused by
14 transferring funds to trust account # 2. Piron Escrow failed to cure the shortage and continues in its
15 failure to cure the shortage.

16 10. On or about August 30, 2011, the Commissioner received information that funds in
17 the amount of \$30,359.07 that were supposed to have been wired into trust account # 3 on August
18 26, 2011, were wired into trust account # 2, thereby causing a further shortage of \$30,359.07 to exist
19 in trust account # 3. At this time, the Commissioner lacks information to determine if there are
20 sufficient funds in trust account # 2 to restore the \$30,359.07 deposit to trust account # 3.

21 Based upon the foregoing, Piron Escrow is conducting escrow business in such an unsafe and
22 injurious manner as to render further operations hazardous to the public or to customers.

23 NOW, BASED ON THE FOREGOING, AND GOOD CAUSE APPEARING
24 THEREFORE, it is hereby ORDERED, under the provisions of section 17415 of the Financial Code,
25 that Piron Escrow, Inc. and any person having in his or her possession any escrow funds or trust
26 funds immediately discontinue the receipt or disbursement of any escrow or joint control money,
27 documents or other property in its possession, custody or control.

28 This order is to remain in full force and effect until further order of the Commissioner.

1 Section 17415 of the Financial Code provides as follows:

2 (a) If the commissioner, as a result of any examination or from any
3 report made to him or her, shall find that any person subject to this
4 division is in an insolvent condition, is conducting escrow business in
5 such an unsafe or injurious manner as to render further operations
6 hazardous to the public or to customers, has failed to comply with
7 the provisions of Section 17212.1 or 17414.1, has permitted its tangible
8 net worth to be lower than the minimum required by law, has failed to
9 maintain its liquid assets in excess of current liabilities as set forth in
10 Section 17210, or has failed to comply with the bonding requirements
11 of Chapter 2 (commencing with Section 17200) of this division, the
12 commissioner may, by an order addressed to and served by registered
13 or certified mail or personal service on such person and on any other
14 person having in his or her possession or control any escrowed funds,
15 trust funds or other property deposited in escrow with said person,
16 direct discontinuance of the disbursement of trust funds by the parties
17 or any of them, the receipt of trust funds, the delivery or recording of
18 documents received in escrow, or other business operations. No person
19 having in his or her possession any of these funds or documents shall be
20 liable for failure to comply with the order unless he or she has received
21 written notice of the order. Subject to subdivision (b), the order shall remain
22 in effect until set aside by the commissioner in whole or in part, the person
23 is the subject of an order for relief in bankruptcy, or pursuant to Chapter 6
(commencing with Section 17621) of this division the commissioner has assumed
possession of the escrow agent.

17 (b) Within 15 days from the date of an order pursuant to subdivision (a),
18 the person may request a hearing under the Administrative Procedure Act,
19 Chapter 5 (commencing with Section 11500) of Division 3 of Title 2 of the
20 Government Code. Upon receipt of a request, the matter shall be set for hearing
21 to commence within 30 days after such receipt unless the person subject
22 to this division consents to a later date. If no hearing is requested within
23 15 days after the mailing of service of such notice and none is ordered by
the commissioner, the failure to request a hearing shall constitute a waiver
of the right for a hearing. Neither the request for a hearing nor the hearing
itself shall stay the order issued by the commissioner under subdivision (a).

24 Dated: September 2, 2011
25 Los Angeles, CA

PRESTON DuFAUCHARD
California Corporations Commissioner

26 By _____
27 Alan S. Weinger
28 Deputy Commissioner